



# *Kern Oil & Refining Co.*

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October 23, 2013

## **VIA ELECTRONIC POSTING**

Comment List: GHG2013

Clerk of the Board  
California Air Resources Board  
1001 I Street  
Sacramento, CA 95814

Dear Chairman Nichols and Board Members:

Kern Oil & Refining Co. (Kern) is providing comments on the California Air Resources Board's (ARB) 45-day regulatory package containing proposed amendments to the Mandatory Reporting Regulation (MRR) as released on September 4, 2013. Specifically, Kern is providing comments regarding (1) requirements for entities to separate certain tasks and compliance obligations when required to report facility emissions and fuel supplier emissions, and (2) revisions in support of using Complexity Weighted Barrel (CWB) to benchmark refineries in the Cap & Trade Program. Kern is a small, privately owned petroleum refiner located in Bakersfield, California, in the southern San Joaquin Valley. Kern has operated for over 70 years and employs approximately 120 employees. Kern's refining capacity is 27,000 barrels per stream day.

### **Separate Obligations for Entities with Facility Emissions and Fuel Supplier Emissions**

As a small business and small California refinery, Kern is not supportive of proposed revisions to Section 95113 that would require the operator of a petroleum refinery to report and verify separately, and under two distinct ARB ID numbers, the facility emissions and the fuel supplier emissions. Similarly, Kern is not supportive of proposed revisions to Section 95105(c) that would require two separate GHG Monitoring Plans for a single entity that must report both facility emissions and fuel supplier emissions. Both of these proposed changes are burdensome and costly in requiring an entity to prepare two reports, obtain two verifications and maintain two GHG Monitoring Plans, none of which appear to provide commensurate additional value or significant improvements to meeting compliance obligations. Sufficient detail pertaining to both facility emissions and fuel supplier emissions compliance obligations can effectively be captured and maintained distinct in a single, combined GHG Monitoring Plan and within combined annual reports. Kern suggests that ARB maintain these referenced sections as they are currently written. Doing so will be consistent with existing regulatory language in section 95101(a)(2) that refers to *a single annual emissions report for an entity in one or more of the categories* in subsection

(a)(1). Kern notes there exist proposed revisions to Section 95101(a)(2) within this 45-day amendment package, but Staff's proposed edits likewise maintain the approach that an entity prepare a single report even when obligated by more than one function.

**Revisions to Support Use of CWB in Refinery Benchmarking**

Kern is supportive of Cap & Trade Staff's proposal to adopt the CWB allocation methodology utilizing the Solomon Process Unit Factors and including Solomon's factors for off-sites, non-energy utilities and "non-crude sensible heat" and recognizes that certain proposed amendments to MRR are in support of refinery benchmarking. Staff's proposal to utilize the CWB methodology, inclusive of the off-sites adjustment and utilizing all of the process unit factors, ensures the accuracy of the methodology, which is critical for California's smaller, less complex refineries. These factors can play a very significant role in the operation of facilities like Kern and their corresponding allocation determinations.

Proposed language in Section 95113(l)(4)(B) references the use of functions and factors in Table 1 of the same section for the purpose of calculating the total facility CWB. While Kern supports the adoption of the CWB methodology, the functions and factors included in the current 45-day amendment package are associated with the Carbon Weighted Tonne methodology and therefore are not accurate for use within CWB. ARB Staff held a workshop on October 7, 2013, presenting a working document titled "Language to Support Complexity Weighted Barrel (CWB)" for stakeholder review. The working document indicated regulatory text changes that will be necessary in the MRR, intended for a subsequent 15-day amendment package, to support use of CWB. Kern is anticipating the release of this 15-day package containing revised regulatory language and a revised Table 1 with appropriate functions and factors specific to CWB, in line with that provided to stakeholders at the workshop.

Kern notes that certain revisions and/or corrections to this working document will be required prior to incorporation into the MRR in order to accurately calculate the off-sites and non-crude sensible heat adjustments. Kern will comment further, as may be necessary, upon review of the 15-day amendment package addressing this supportive text within the MRR.

In conclusion, Kern appreciates CARB's consideration of Kern's comments. Any questions or follow-up comments can be directed to Melinda Hicks at 661-282-2646 or at [mhicks@kernoil.com](mailto:mhicks@kernoil.com).

Sincerely,



Melinda L. Hicks  
Manager, Environmental Health and Safety  
Kern Oil & Refining Co.

October 23, 2013

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cc: CARB Board Chairman and Members

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